

Eastern Utah Early Intervention, Inc.

DBA Prime Time 4 Kids

Financial Statements

For the year ended

June 30, 2006

**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time 4 Kids**  
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# CALDWELL, COOMBS & FOLEY, LLP

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Eastern Utah Early Intervention, Inc.  
DBA Prime Time 4 Kids  
Vernal, Utah

We have audited the accompanying statement of financial position of the Eastern Utah Early Intervention, Inc. (a non-profit corporation) doing business as (DBA) Prime Time for Kids as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Utah Early Intervention, Inc. as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2006 on our consideration of Eastern Utah Early Intervention, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

December 29, 2006  
Vernal, Utah

**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time 4 Kids**  
**Statement of Financial Position**  
**June 30, 2006**

**ASSETS**

Cash \$ 30,365  
Accounts receivable 52,276

**TOTAL ASSETS** 82,641

**LIABILITIES**

Accounts payable 26,103  
Wages & benefits payable 27,018  
Deferred revenue 9,107

**TOTAL LIABILITIES** 62,228

**NET ASSETS**

Unrestricted 20,413

**TOTAL NET ASSETS** 20,413

**TOTAL LIABILITIES & NET ASSETS** \$ 82,641

See accompanying notes.

**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time 4 Kids**  
**Statement of Activities**  
**For the year ended June 30, 2006**

**UNRESTRICTED NET ASSETS**

Unrestricted revenues

Program service fees

State of Utah Baby Watch Intervention	\$ 481,494
Medicaid	153,503
CHIP	6,500
Early Childhood Development Program	5,270
Fees & tuition	3,190
Other	5,068

Contributions	42,705
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TOTAL UNRESTRICTED REVENUES	<u>697,730</u>
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Expenses

Program Services

Baby Watch Intervention	649,750
Early Childhood Development Program	1,608
Other	30,495

TOTAL EXPENSES	<u>681,853</u>
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INCREASE IN UNRESTRICTED NET ASSETS	15,877
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NET ASSETS AT BEGINNING OF YEAR	<u>4,536</u>
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NET ASSETS AT END OF YEAR	<u><u>\$ 20,413</u></u>
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**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time for Kids**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2006**

	<b>Program Services</b>			
	<b>Early</b>			<b>Total</b>
	<b>Baby Watch Intervention</b>	<b>Childhood Development</b>	<b>Other</b>	
<b>Personnel</b>				
Wages & salaries	\$ 383,036	\$ 1,309	\$ -	\$ 384,345
Benefits	120,663	157		120,820
Incentive awards	3,999			3,999
<b>Total personnel</b>	<b>507,698</b>	<b>1,466</b>	<b>-</b>	<b>509,164</b>
<b>In-state Travel</b>				
Staff	15,819	142		15,961
Parent	1,088			1,088
<b>Total in-state travel</b>	<b>16,907</b>	<b>142</b>	<b>-</b>	<b>17,049</b>
<b>Out-of-state Travel</b>	609			609
<b>Current Expense</b>				
Books & subscriptions	1,769			1,769
Maintenance & repairs	1,570			1,570
Food for clients	1,862			1,862
Advertising & legal notices	3,113			3,113
Communication services	11,094			11,094
Postage & mailing	1,705			1,705
Technical services	9,559			9,559
Payroll processing	1,737			1,737
Rental - land & building	26,040		30,000	56,040
Building & grounds	9,356			9,356
Office supplies	11,472			11,472
Printing & binding	100			100
Educational supplies	15,415			15,415
Photocopy expenses	64			64
Small equipment	800		495	1,295
Office furnishings	1,866			1,866
Utilities	7,298			7,298
Related services, supplies/equipment	801			801
Printed forms & publications	535			535
Insurance & bonds	2,070			2,070
Training & development	3,790			3,790
Special events	1,126			1,126
Membership dues	300			300
Computer equipment	3,198			3,198
<b>Total current expense</b>	<b>116,640</b>	<b>-</b>	<b>30,495</b>	<b>147,135</b>
<b>Capital Outlay</b>				
Computer equipment	2,588			2,588
Program equipment	1,707			1,707
<b>Total capital outlay</b>	<b>4,295</b>	<b>-</b>	<b>-</b>	<b>4,295</b>
<b>Other Expenditures</b>				
Child find/public awareness	3,601			3,601
<b>Total expenses</b>	<b>\$ 649,750</b>	<b>\$ 1,608</b>	<b>\$ 30,495</b>	<b>\$ 681,853</b>

See accompanying notes.

**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time 4 Kids**  
**Statement of Cash Flows**  
**For the year ended June 30, 2006**

**CASH FLOWS FROM OPERATION ACTIVITIES**

Cash collected from service contracts (including Medicaid & CHIP)	\$ 649,717
Cash collected from fees and tuition	3,190
Cash collected from contributions	12,705
Cash collections - other	5,067
Cash payments to employees & benefit providers	(529,400)
Cash payments to suppliers of goods and services	<u>(118,426)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,853

**BEGINNING CASH**

ENDING CASH	<u>7,512</u>
	<u><u>\$ 30,365</u></u>

**RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Increase in net assets	\$ 15,877
Decrease in accounts receivable	33,108
Increase in accounts payable	24,263
Decrease in wages & benefits payable	(20,236)
Decrease in deferred revenue	<u>(30,159)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 22,853</u></u>

See accompanying notes.

**Eastern Utah Early Intervention, Inc**  
**DBA Prime Time 4 Kids**  
**Notes to Financial Statements**

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**Note A—Nature of Activities and Significant Accounting Policies**

**Nature of Activities:**

Eastern Utah Early Intervention, Inc. (the Organization) provides early intervention services to eligible children and families within Uintah and Daggett Counties in the State of Utah. The Organization does business under the trade name: Prime Time 4 Kids. The organization's primary funding source is an annual contract with the Utah Department of Health. The Organization began operations on July 1, 2004.

**Program Service Fees:**

Program service fees are recorded when services are provided, except that service fees receivable from Medicaid and CHIP are deferred because the Baby Watch Intervention Program expense reimbursements will be reduced by the amounts received.

**Promises to Give:**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Contributed Services:**

During the year ended June 30, 2006 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**Contributed Facilities:**

The organization operates a portion of its program at the Little Blossom site in Ft. Duchesne, Utah. The Ute Indian Tribe provides a building for the organization's use. The estimated fair value of the contributed facility is recorded as a contribution and is offset with a charge to rental of land and building.

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Equipment:**

It is the Organization's policy to capitalize property and equipment individually costing \$2,500 or more. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as

**Eastern Utah Early Intervention, Inc**  
**DBA Prime Time 4 Kids**  
**Notes to Financial Statements**

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unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

During the year ended June 30, 2006 the Organization did not own, purchase or receive any property or equipment costing or valued at \$2,500 or more.

**Financial Statement Presentation:**

The Organization is required by generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2006 all of the Organization's net assets were unrestricted. The Organization does not use fund accounting.

**Income Taxes:**

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**Cash and Cash Equivalents:**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Note B - Accounts Receivable:**

The Organization's service contract with the Utah Department of Health provides for reimbursements of the costs of providing services, less amounts received from Medicaid, CHIP, and fees received for program services. Reimbursements receivable are recorded as of the end of the month in which the related expenses were incurred.

Medicaid and CHIP are billed for services provided to eligible children.

The Organization also has a contract with the Tri-County Health District to provide services for its Early Childhood Development Program (ECDP).

No allowance has been made for doubtful accounts as receipt of contract amounts is reasonably assured.

**Eastern Utah Early Intervention, Inc**  
**DBA Prime Time 4 Kids**  
**Notes to Financial Statements**

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Accounts receivable at June 30, 2006 were as follows:

Accounts Receivable:	
Baby Watch Early Intervention	\$ 45,217
Medicaid	3,352
CHIP	3,000
Early Childhood Development Program	<u>707</u>
	<u>\$ 52,276</u>

**Note C - Deferred Revenue**

Accounts receivable from Medicaid and CHIP are offset by a credit to deferred revenue because the Baby Watch Intervention Program expense reimbursements will be reduced by the amounts received from Medicaid and CHIP. Also during the fiscal year ended June 30, 2006, the organization received excess reimbursements from the Baby Watch Early Intervention Program. Those excess costs were recorded as deferred revenue to be offset against reimbursable costs in the next fiscal year.

Deferred revenue at June 30, 2006 was as follows:

Deferred Revenue	
Baby Watch Early Intervention excess reimbursement	\$ 2,755
Medicaid	3,352
CHIP	<u>3,000</u>
	<u>\$ 9,107</u>

**Note D - Leasing Arrangements:**

The Organization rents its facility in Vernal, Utah under a five-year operating lease with no renewal options. The lease began July 1, 2004 and terminates June 30, 2009. Annual lease payments of \$26,040 are payable at \$ 2,170 per month. The remaining minimum lease payments required under the agreement are as follows:

For the year ended June 30	Annual Rent
2007	\$ 26,040
2008	26,040
2009	<u>26,040</u>
Total	<u>\$ 78,120</u>

**Eastern Utah Early Intervention, Inc**  
**DBA Prime Time 4 Kids**  
**Notes to Financial Statements**

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**Note E – Defined Contribution Pension Plan**

The organization adopted a 403(b) defined contribution pension plan effective August 1, 2004. The plan benefits all employees who work at least 20 hours per week, have completed one year of service, and have attained age 21. The plan allows participating employees to defer a portion of their compensation by making voluntary contributions to the plan. The board of directors determines employer contributions annually. For the years ended June 30, 2006 and 2005, the Organization contributed \$72,657, and \$68,351, respectively to the plan for participating employees.

**Note F – Concentrations:**

Approximately 92 % of the Organization's revenues were derived from services performed pursuant to its contract with the Utah Department of Health. All of the Organization's operations are within Uintah and Daggett Counties within the State of Utah.

**Note G – Reconciliation of Program Costs to Reimbursement**

Net costs for the Baby Watch Intervention Program are reimbursed to the Organization pursuant to its contract with the Utah Department of Health. Costs are reduced by collections from Medicaid, CHIP, parent fees and other collections, and the net costs are reimbursed by the Utah Department of Health.

Total Costs	\$ 649,750
Receipts from:	
Medicaid	153,503
CHIP	6,500
Parent fees	3,190
Other collections	5,063
Sub-total	<u>168,256</u>
Net reimbursable costs	\$ 481,494
Costs reimbursed	<u>(484,249)</u>
Excess reimbursements	<u>\$ (2,755)</u>

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Eastern Utah Early Intervention, Inc.  
DBA Prime Time 4 Kids  
Vernal, Utah

We have audited the financial statements of Eastern Utah Early Intervention, Inc. (a non-profit corporation) doing business as (DBA) Prime Time for Kids for the year ended June 30, 2006 and have issued our report thereon dated December 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Eastern Utah Early Intervention, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether Eastern Utah Early Intervention, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Eastern Utah Early Intervention, Inc. in the accompanying schedule of findings.

This report is intended solely for the information of the Board of Directors, management and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Caldwell Coombs + Pky .CLP*

December 29, 2006

# CALDWELL, COOMBS & FOLEY, LLP

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

To the Board of Directors  
Eastern Utah Early Intervention, Inc.  
DBA Prime Time 4 Kids  
Vernal, Utah

We have audited the statement of financial position of the Eastern Utah Early Intervention, Inc. (a non-profit corporation) doing business as (DBA) Prime Time For Kids as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended and have issued our report thereon dated December 29, 2006. As part of our audit, we have audited Eastern Utah Early Intervention, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The Organization received the following major State assistance programs from the State of Utah:

Baby Watch Early Intervention (Department of Health)

The management of Eastern Utah Early Intervention, Inc. is responsible for the Organization's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion the Eastern Utah Early Intervention, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Caldwell, Coombs & Foley LLP*

December 29, 2006

**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time 4 Kids**  
**Schedule of Findings**  
**For the year ended June 30, 2006**

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**Management Points**

**2006-1 Filing System for Paid Vendor Invoices**

**Condition:** We noted that paid vendor invoices are filed together in an envelope for each month.

**Recommendation:** We recommend that paid vendor invoices be filed alphabetically by vendor name. A new set of files should be prepared at the beginning of each fiscal year.

**2006-2 Supporting Documentation In-lieu of Vendor Invoices**

**Condition:** We noted a few instances where payments were made without a supporting invoice from the vendor.

**Recommendation:** We recommend that a memo be prepared as support for any payments where invoices are not provided by a vendor. The memo should identify the payee, the purpose for the payment, how the amount was determined, any other pertinent information, and the date, and should be signed by the person who authorizes the payment. The memo should be filed in the same manner as vendor invoices.

**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time 4 Kids**  
**Status of Prior Year Findings and Recommendations**  
**For the year ended June 30, 2006**

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Our audit report for the year ended June 30, 2005 included the following findings and recommendations. Each condition and recommendation is noted here together with the current status.

**Reportable Condition**

**2005-1 Separation of Duties**

**Condition:** During our audit we noted that the Program Director is responsible for essentially all accounting transactions and operations with the exception of Medicaid and CHIP billings. He prepares and signs checks, enters transactions into the accounting system, reconciles bank accounts, makes or approves all purchases, etc.

**Recommendation:** The duties of Organization employees should be divided so that no one person has control over or access to an entire accounting cycle or transaction class. Where the number of available personnel is inadequate to separate duties completely, oversight by the Board of Directors could mitigate weaknesses. The Board should carefully review the Organization's internal control and design a system that is both adequate and cost effective. The following are suggestions the Board may wish to consider:

- Require two signatures on all checks.
- Assign bank reconciliation responsibilities to another employee, like the program manager.
- Assign the secretary/treasurer to review and sign bank statements and reconciliations monthly.
- Provide detailed financial statements to board members for their review monthly.
- Purchase a fidelity bond on the Program Director.

**Current Status:** The following procedures were approved by the board of trustees and were implemented:

- Two signatures are required on all checks.
- The program manager prepares monthly bank reconciliations.
- The secretary/treasurer reviews and signs bank reconciliations quarterly.
- Board members review financial statements quarterly.

**Eastern Utah Early Intervention, Inc.**  
**DBA Prime Time 4 Kids**  
**Status of Prior Year Findings and Recommendations**  
**For the year ended June 30, 2006**

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**Compliance**

**2005-2 Medicaid Billings**

**Condition:** During our audit we noted that billings to Medicaid for services were made two or three months following the month of service.

**Recommendation:** We recommend procedures be implemented to insure that Medicaid billings are prepared at least monthly for all services rendered through the end of the previous month as required by the contract.

**Current Status:** Implemented.